25th JANUARY 2013

Welcome to TISAtalk, this week –

- Jeffrey Mushens, Technical Director at TISA, outlines how TISA is working with the industry on FATCA to address the potential impact on distributors, TPAs and custodians.
- Peter Smith, Head of Distribution Engagement at TISA, discusses the regulators' plans for Financial Services Compensation Scheme (FSCS) funding and fears that this may place further pressure on advisory firm's revenues in the post-RDR world.

FATCA PROJECT GATHERS PACE

The platform industry is under a great deal of strain at the moment, whether it's dealing with reports about HMRC's plans, or dealing with the system strain that regulators are imposing, on top of living in the new RDR world. One topical issue is FATCA, where the costs are being steadily racked up. As far as we can tell, persons with US indicia in the funds industry - across millions of accounts - are low thousands, but costs are already in the £millions.

Specific issues that TISA are reviewing as part of its FATCA project, within two working groups, are contingency planning for 1st January 2014 and setting out roles and responsibilities of all the inter-related parties affected by the implementation of FATCA. The likes of IMA or BBA are doing great work for fund managers and banks, however some thought is required on how to deal with the impact on distributors, TPAs and custodians. This is where the TISA FATCA project can add value: to ensure that the impact - on distributors, platforms, fund managers and TPAs/TAs - is addressed. The project has representatives from TPAs, custodians, lawyers, accountants as well as global fund managers. Firms that think they might be affected by RDR - and if your firm is in financial services, it will be - should join the project, or track its progress. There will be regular updates as the project gathers pace.

Jeffrey Mushens, Technical Director at TISA

THAT'S THE LIMIT!

The FSA has stood firm on its controversial plans for Financial Services Compensation Scheme (FSCS) funding, which sees the threshold for the investment intermediary sub-class increased to £150m and new thresholds introduced more widely based on affordability. The regulator also proposed setting up a 'retail pool', a collective resource funded by intermediaries and the investment providers which would be triggered if one or more of those classes reached their threshold.

In light of industry concerns about this approach, the FSA is this week opening a month long consultation on a proposal that all providers should make contributions when the pool is triggered by the failure of an intermediary. This would include contributions from banks, insurers and home finance providers. From 1st April 2014, the FSCS will be able to smooth the impact of levies by looking further ahead at potential compensation costs expected in the three years following the levy, instead of the current one year forecast.

The regulator has stood firm on the proposals despite protests from the advisory sector, with many fearing this will put even greater pressure on advisory businesses and some smaller firms being forced out of business. This comes at a time when PI (Professional Indemnity) cover is climbing out of reach also for some firms. We should, however, be pleased that the regulator has listened to industry feedback and proposed to reintroduce a cross-subsidy if intermediary class thresholds are breached. Nevertheless, there should be some recognition in the current environment that RDR and the wider economic environment has affected advisory distribution firm revenues and failure to revise the threshold for investment intermediaries does not alleviate pressure on funding models.

Peter Smith, Head of Distribution Engagement at TISA